

**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



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CRIT LUALLLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC,, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Boyle County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYLE COUNTY FISCAL COURT

June 30, 2005

Peercy and Gray, PSC has completed the audit of the Boyle County Fiscal Court for fiscal year ended June 30, 2005.

We have issued an unqualified opinion, based on our audit and the reports of the other auditors, on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$6,846,888 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,833,459 in its governmental activities as of June 30, 2005, with total net assets of \$6,829,204. In its enterprise fund, total net cash and cash equivalents were \$964 with total net assets of \$17,684. The fiscal court had total debt principal as of June 30, 2005 of \$4,827,865 with \$323,865 due within the next year

Report Comment:

- The County Should Eliminate The Deficit In The Unreserved Special Revenue Fund Balance Of The Jail Fund

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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PEERCY AND GRAY, PSC

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To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Tony W. Wilder, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boyle County Municipal Properties Corporation, a blended component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Boyle County Municipal Properties Corporation, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boyle County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2006 on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Eliminate The Deficit In The Unreserved Special Revenue Fund Balance Of The Jail Fund

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
January 30, 2006

BOYLE COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Tony W. Wilder	County Judge/Executive
Donnie Coffman	Magistrate
Phil Sammons	Magistrate
Jim Ryan	Magistrate
John Hudson	Magistrate
John Davis	Magistrate
Rick McQuerry	Magistrate

Other Elected Officials:

Richard Campbell	County Attorney
Barry Harmon	Jailer
Denice Curtsinger	County Clerk
Trudy Stevens	Circuit Court Clerk
LeeRoy Hardin	Sheriff
Eddie Tamme	Property Valuation Administrator
James Ramey	Coroner

Appointed Personnel:

Mary C. Lynn	County Treasurer
Marcia Pierce	Occupational Tax Collector
Gail Bowling	Finance Officer

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BOYLE COUNTY FISCAL COURT

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Tony W. Wilder

County Judge/Executive

MAGISTRATES

First District

Rick McQuerry

Second District

Donnie Coffman

Third District

Phil Sammons

Fourth District

Jim Ryan

Fifth District

John Davis

Sixth District

John Hudson

Management's Discussion and Analysis

The management team for the Boyle County Fiscal Court presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2005. We have prepared this overview and analysis of the County's financial activities to add additional information to the financial schedules and the note disclosures.

The Governmental Accounting Standards Board issued a new standard in June 1999 that outlines new reporting requirements for state and local governments across the United States. The Fiscal Court uses the cash basis of accounting (which recognizes transactions immediately when cash is received or disbursed) as prescribed by the Kentucky State Local Finance Officer (KRS 68.210) and does not use the accounting methods outlined in GASB Statement 34. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

FINANCIAL HIGHLIGHTS

- As of June 30, 2005, Boyle County had net assets of \$6,846,888. The fiscal court had unrestricted net assets of \$1,833,459 in their governmental activities as of June 30, 2005, with total net assets of \$6,829,204. In the business-type activities, cash and cash equivalents were \$964 with total assets of \$17,684. Total debt principal as of June 30, 2005 was \$4,827,865 with \$323,865 due within one year.
- Net assets decreased by \$46,984. The overall decrease in net assets was due to prior year adjustments for fixed assets and depreciation expense.
- At the close of the current fiscal year, Boyle County's balance sheet reported a fund balance (a measure of current financial resources) in the amount of \$2,168,681 in the governmental funds which was a decrease of \$413,678 from the prior year. Of this amount, \$1,791,768 is unreserved and available for future programs.
- The General Fund unreserved fund balance, as of June 30, 2005, was \$1,089,884, or about 24% of total general fund expenditures.
- Boyle County's total indebtedness at the close of fiscal year ended June 30, 2005 was \$4,827,865, of which \$4,504,000 is long-term debt (due after one year) and \$323,865 is short term debt (to be paid within one year). Debt additions were \$59,000 and debt reductions were \$383,572 for a net reduction of \$324,572. The key components of this reduction were the principal and interest payments made on long-term debts with little financing during the fiscal year ended June 30, 2005.

OVERVIEW OF FINANCIAL STATEMENTS

This management discussion and analysis is intended to introduce the Boyle County's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide our readers with an overview of the County's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The *Statement of Net Assets* presents information on all the County's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as transactions occur, regardless of when the related cash flows are reported (modified cash basis of accounting). Therefore, some revenues and expenses included in this statement may reflect cash flows that actually occur in future periods.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on a capital assets in the government-wide financial statement for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, protections to persons and property, roads, recreation and community programs. Business-type activities include the jail canteen and the internal service fund of the County's health program.

The government-wide financial statements include not only Boyle County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Boyle County has one such entity, the Boyle County Municipal Properties Corporation. It is known as a blended component unit.

Fund financial statements – Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. Boyle County, like other state and local governments uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the County's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for the County's basic services, the same services that are included in the governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current financial resources, as well as balances of spendable resources available at the end of the fiscal year. This information is important for assessing the County's current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current picture presented in the fund statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

Boyle County maintains eleven individual governmental funds. Major governmental funds include the General, Road, Joint Jail, State Surplus, and Emergency Medical Services Funds. The Local Government Economic Assistance, TEA-21, Emergency 911, Financing Obligations, Jail and Boyle County Municipal Properties Corporation are considered non-major funds and are represented in a combined form.

Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Boyle County adopts an annual budget for all funds in accordance with Kentucky Revised Statutes Chapter 68. The budgetary comparison has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds include an enterprise fund and an internal service fund. The enterprise fund includes operations for the jail canteen and the internal service fund accounts for health insurance. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. Notes provide additional information that is essential to a full understanding of the information included in the financial schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table I

Net Assets of Governmental and Business-type Activities (in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 2,200	\$ 2,586	\$ 1	\$ 1	\$ 2,201	\$ 2,587
Capital assets	9,457	9,445	17	13	9,474	9,458
Total assets	11,657	12,031	18	14	11,675	12,045
Long-term liabilities	4,828	5,152			4,828	5,152
Total liabilities	4,828	5,152			4,828	5,152
Net assets:						
Invested in capital assets, net of related debt	4,629	4,293	17	13	4,646	4,306
Restricted	367	374			367	375
Unrestricted	1,833	2,212	1	1	1,834	2,212
Total Net Assets	\$ 6,829	\$ 6,879	\$ 18	\$ 14	\$ 6,847	\$ 6,893

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Assets.

Governmental Activities. Boyle County's net assets decreased by \$49,815 in fiscal year 2005.

Key Elements of this are:

- Current assets and cash decreased \$385,500
- Investment in capital assets increased \$11,113.
- Current and long-term liabilities decreased \$324,572.
- Revenues were \$9,517,695 as reflected in the Statement of Activities.
- Expenditures totaled \$9,567,510 as reflected in the Statement of Activities.

Business-type Activities. Boyle County's net assets increased by \$2,831 in fiscal year 2005.

Key Elements of this are:

- Current assets and cash decreased by \$278.
- Investment in capital assets increased \$3,109 due to equipment acquisitions.

Changes in Net Assets.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table II

Change in Net Assets of Governmental and Business-type Activities (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 2,136	\$ 1,724	\$ 140	\$ 154	\$ 2,276	\$ 1,878
Operating grants and contributions	2,916	2,533			2,916	2,533
Capital grants and contributions	423	391			423	391
General revenues:						
Property taxes	833	782			833	782
License fees and permits	2,450	2,460			2,450	2,460
Excess fees	245	242			245	242
Interest and Investment earnings	64	48			64	48
Miscellaneous	451	595			451	595
Total Revenues	9,518	8,775	140	154	9,658	8,929
Program Expenses:						
General Government	3,947	3,601			3,947	3,601
Protect Persons & Property	3,114	2,933			3,114	2,933
Health & Sanitation	775	852			775	852
Community Services	73	84			73	84
Recreation & Culture	551	612			551	612
Roads	598	558			598	558
Road Facilities	17				17	
Airports	14				14	
Interest - Long Term Debt	279	276			279	276
Capital Projects	200	213			200	213
Jail Canteen			137	140	137	140
Total Expenses	9,568	9,129	137	140	9,705	9,269
Net Assets – Beginning	6,879	7,849	15	1	6,894	7,850
Net Assets – Ending	6,829	6,879	18	15	6,847	6,894
	\$					
Increase (decrease) in net assets	(50)	\$(970)	\$ 3	\$ 14	\$ (47)	\$(956)

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Boyle County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Boyle County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2005 fiscal year, the combined ending fund balance of Boyle County's governmental funds was \$2,168,681. Approximately 83% (\$1,791,768) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$376,913) is reserved to indicate that it is not available for new spending because it is committed.

The County has 5 major governmental funds. These are 1.) General Fund; 2.) Road Fund; 3.) Joint Jail Fund; 4.) State Surplus Fund; and 5.) Emergency Medical Services Fund. There are 6 non-major funds. These are 1.) Local Government Economic Assistance Fund; 2.) TEA-21 Fund; 3.) Emergency 911 Fund; 4.) Financing Obligations Fund; 5.) Boyle Jail Fund; and 6.) Boyle County Municipal Properties Corporation. These funds are combined for this report because their revenues and expenses are smaller than other funds of the County.

The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Financial analysis and documented forecasts indicated that the county's annual budget expenditures had been and will continue to exceed the annual revenue; therefore, reducing surplus funds in the amount of approximately \$400,000 annually. Through numerous public and fiscal court workshops, county financial statements and cost cutting measures were discussed, but no proposal was deep enough to solve Boyle County's annually increasing deficit. Fuel prices, ambulance service medical supplies, jail inmate medical/hospital services, and employee benefit costs were of the few major expenses on the rise, increasing up to 20% per fiscal year. Effective April 1, 2005, the Boyle County Fiscal Court approved an occupational tax increase from .45% to .75% hoping to generate approximate \$1.3 million additional dollars to support the budget expenditures through the fiscal year 2019. During the 2005 fiscal year, cost cutting measures were implemented prior to the tax increase which included cuts in appropriations to non-profit agencies and employee salary increases were eliminated.

- 1.) The General Fund is the chief operating fund of Boyle County. At the end of the June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$1,089,884 while the total fund balance was \$1,100,868. The County received \$2,449,807 in occupational tax revenues. This accounts for approximately 58% of the general fund revenue. \$833,676 was received from real and personal property taxes and accounts for approximately 13% of the County's general fund revenues. Various other service fees make up the remaining 29% of revenues. The fiscal year 2005 expenses were \$4,615,551. Highlights include: 1.) a one-time grants from the Weapons of Mass Destruction fund in the amount of \$90,089 used in the acquisition and installation of communication and rescue equipment for Boyle County, 2.) the statewide enactment of House Bill 413, which reimburses counties for a portion of the cost of transporting prisoners, 3.) expenses for only a general election were incurred, 4.) Danville/Boyle Co. Planning and Zoning required an additional appropriation in the amount of \$12,175 over budget, 5.) non-profit agency appropriations were reduced by \$33,950 as a result of a reduction of spending, 6.) expenses include KARP's short-term borrowing program repayment of \$1,619,100, and, 7.) a partial Forkland Community Center TEA-21 restoration grant match in the

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

amount of \$38,526. Included in the General Fund budget are expenses for the joint City of Danville/County of Boyle recycling services and Emergency Management Services, Boyle County's solid waste collection and open dump cleanups, Animal Control services for the City of Danville and County of Boyle, the parks and recreation program, and planning and zoning.

- 2.) The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$83,122 in fund balance at June 30, 2005. The General Fund transferred \$175,000 from occupational tax collections to the Road Fund for operational expenses. The fiscal year 2005 expenditures for road projects were \$161,571 and of that expenditure the State Transportation Cabinet allocated as a one-time grant the reimbursement of \$122,582 for these capital projects. A loader was purchased through KACoLT as a lease in 2001 with a principal of \$99,750 at an interest rate of 3.95%. This was paid in full July 1, 2004. A new mower and tractor was purchased and paid this fiscal year in the amount of \$46,750.
- 3.) The Joint Jail Fund is used to account for the operation of the Boyle/Mercer County Regional Detention Center. The operational costs are shared by both counties as set out in an inter-local agreement and based on annual inmate population ratios. The inmate ratio contributions for Boyle and Mercer Counties for operational expenses and debt service were based on 63% and 37%, respectively for the 2005 fiscal year. The Joint Jail Fund had a fund balance at June 30, 2005 of \$85,464. June 30, 2005 revenues were \$1,790,532. The Joint Jail Fund received \$888,096 for housing state prisoners. Mercer County contributed \$336,528 toward the operational expenses and debt service payments. The inmates themselves contributed directly and indirectly \$248,710 in fees for operational expenses derived from stay per diems, medical copays and hygiene product reimbursements, work release fees, and telephone commissions. Boyle County's General Fund contributed \$667,507 from occupational tax collections. Implemented July 1, 2004 was a \$.50 an hour increase for 39 ½ deputies with an allocated cost of \$42,500 annually.
- 4.) The TEA-21 Fund is a Federal Highways grant fund operating as a conduit for historic preservation dollars funding the Perryville Battlefield Preservation Association, the Forkland Community Center and the McDowell House and Apothecary Shop. The grant reimburses at 80% of qualified expenses. Perryville Battlefield Merchants Row Karricks-Parks House, Opera House and the Green Drug Store received \$214,512 in restorative services while reimbursed by the grant in the amount of \$169,763. Toward the end of the fiscal year, the Forkland Community Center received \$84,112 in roof and electrical upgrades with reimbursement pending.
- 5.) The Emergency Medical Services Fund is used to support the operations of an advanced life support ambulance service. The fiscal year end fund balance was \$79,977. June 30, 2005 revenues totaled \$1,180,494 and of that sum, \$1,169,210 was derived from ambulance run medical billings sent to and paid from health insurance companies, Medicaid, Medicare and individuals. Boyle County's General Fund contributed \$365,000 from occupational tax collections to support the service. A contract with Medical Claims Assistance allows the third party administrator to bill and collect accounts receivable with a negotiated 8% collection fee. Prior to February 28, 2005, the fee was 9%. New equipment for the ambulance service consisted of a 12-Lead Heart Monitor costing \$19,767, a stretcher for the new ambulance remount in the amount of \$4,226, and the purchase of a new ambulance remount in the amount of \$59,000 which was partially funded by an annual SB66 grant in the amount of \$10,689. Boyle County entered into a two year lease at an interest rate of 2.63% with KACoLT to purchase the ambulance remount.
- 6.) The Local Government Economic Assistance Fund has a fund balance of \$83,065, which was a decrease of \$7,890 from the previous fiscal year end. Total June 30, 2005 expenditures were \$77,060 and of that sum, road-resurfacing projects accounted for \$46,663 and the Humane Society facility expansion allocation was \$20,000.

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

- 7.) The Jail Fund is used to primarily account for the Boyle County inmate population medical expenses. In addition, the fund includes Boyle County juvenile detention costs. The Jail fund balance for June 30, 2005 was \$1,429. Total revenue was \$28,869 and Boyle County's General Fund contributed \$75,000 from occupational tax collections. Total expenses were \$119,352 and of that amount, \$106,257 was inmate medical service expenses, which accounts for 89% of the total.
- 8.) The Emergency 911 Fund is used to support the operation of the County's emergency operations communications. It is supported in whole by a landline fee and cellular telephone fee paid by the consumer monthly. Total revenues were \$145,518 for fiscal year 2005 and had a fund balance of \$253,082. The fund balance represents a \$26,099 increase from the previous fiscal year. Capital expenditures for the mapping software for the CAD system totaled \$14,180.
- 9.) The State Surplus Fund is used for a multi-year Millennium Park project which is funded entirely by the City of Danville and the County of Boyle and operates as a conduit for small state grants that have been applied to the project. The June 30, 2005 fund balance is \$114,669. Boyle County received a one-time 50/50 grant from the State for Millennium Park trails development. \$26,150 was expended on asphalt during the fiscal year 2004 and \$15,701 was reimbursed from the grant. The balance of the grant in the amount of \$15,299 was reimbursed during the 2005 fiscal year. The City of Danville is supporting 50% of the multi-year softball field lighting lease in the amount of \$38,231 with a total annual expenditure of \$70,137 during the fiscal year 2005. Total expenses for the fund at June 30, 2005 year end was \$70,137. Boyle County's General Fund contributed \$38,231 from occupational tax collections to support the development.
- 10.) The Financing Obligation Fund is a state grant from the Kentucky Local Correctional Facilities Construction Authority in the amount of \$2,140,000 paid in ten-year increments of \$214,000 each year. These monies are to be used for the retirement of the Boyle/Mercer County Detention Center's facility construction debt. The source of the debt was a 1997 bond issue with a term of twenty years. The June 30, 2005 fund balance was \$304,640. Boyle and Mercer County are in the eighth year of the grant.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Boyle County has one enterprise fund.

The Jail Canteen Fund. The Jail Canteen Fund had net assets of \$17,684. The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates.

Boyle County has one internal service fund.

The Health Insurance Fund supports the County's partially self-funded employee health insurance program. The County transfers from each fund (General, Road, Joint Jail and EMS) the amount for a single policy for each employee who is eligible and elects to receive coverage. Any employee who selected a plan that is not a single plan (i.e. family) has the additional premium deducted from their paychecks. The fund pays for all employee medical expenses during the plan year. The June 30, 2005 fund balance was \$31,773.

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

Boyle County's original budget was not amended during the fiscal year 2005. Actual operating revenues were \$435,720 more than amount originally budgeted by the Fiscal Court. This increase was primarily from Intergovernmental sources and tax revenues.

Actual operating expenditures were \$431,784 less than amount originally budgeted by the Fiscal Court.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Boyle County's investment in capital assets for its governmental activities and business-type activities as of June 30, 2005, amounts to \$9,456,615 for governmental activities and \$16,720 for business-type activities (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Major capital asset events during the 2005 fiscal year were minimal due to the projected shortage of funds throughout the fiscal year however a tractor/mower and sheriff's cruiser were purchased as the fiscal year came to a close and the availability of funds were apparent.

Capital Assets

The County's capital assets, net of accumulated depreciation are summarized below:

County of Boyle, Kentucky Capital Assets (net of depreciation)

	Governmental Activities	Business- Type Activities	Total
Land and Improvements	\$ 32,500	\$	\$ 32,500
Buildings	5,407,563		5,407,563
Vehicles and Equipment	1,796,267	16,720	1,812,987
Other Equipment	296,850		296,850
Infrastructure, Net of Depreciation	1,923,435		1,923,435
Total	<u>\$ 9,456,615</u>	<u>\$ 16,720</u>	<u>\$ 9,473,335</u>

**Boyle County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

The principal outstanding on the County's long-term debt is summarized in the following table.

Boyle County Fiscal Court's Outstanding Debt

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Capital leases	\$ 112,865	\$	\$ 112,865
Series 1997 Revenue Bonds	4,715,000		4,715,000
Total	<u>\$ 4,827,865</u>	<u>\$</u>	<u>\$ 4,827,865</u>

At the end of the 2005 fiscal year, Boyle County had total long-term debt outstanding of \$4,827,865 and the amount of this debt due within the next year is \$323,865. The county's debt was decreased \$324,572 during the fiscal year 2005. This debt is for the construction of the Government Services Center which houses the detention center, recycling center, public works department and the Danville station for emergency medical services. In addition, two ambulances and a two remounted ambulances, three rescue vehicles, park softball lighting, and the jail inmate computer system hardware and software.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As of November 30, 2005, the unemployment rate in Boyle County was 6.7%, which is a significant increase from a rate of 4.6% for the same period in the previous year. This compares unfavorably to the national rate of 5.5% and unfavorably to the state rate of 5.3% for the same period.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's Office, 321 W. Main Street, Danville, KY 40422, telephone number (859) 238-1100.

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,200,454	\$ 964	\$ 2,201,418
Total Current Assets	<u>2,200,454</u>	<u>964</u>	<u>2,201,418</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	32,500		32,500
Buildings	5,407,563		5,407,563
Other Equipment	296,850		296,850
Vehicles and Equipment	1,796,267	16,720	1,812,987
Infrastructure Assets - Net of Depreciation	<u>1,923,435</u>		<u>1,923,435</u>
Total Noncurrent Assets	<u>9,456,615</u>	<u>16,720</u>	<u>9,473,335</u>
Total Assets	<u>11,657,069</u>	<u>17,684</u>	<u>11,674,753</u>
LIABILITIES			
Current Liabilities:			
Leases and Notes Payable	83,865		83,865
Bonds Payable	<u>240,000</u>		<u>240,000</u>
Total Current Liabilities	<u>323,865</u>		<u>323,865</u>
Noncurrent Liabilities:			
Leases and Notes Payable	29,000		29,000
Bonds Payable	<u>4,475,000</u>		<u>4,475,000</u>
Total Noncurrent Liabilities	<u>4,504,000</u>		<u>4,504,000</u>
Total Liabilities	<u>4,827,865</u>		<u>4,827,865</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 4,628,750	\$ 16,720	\$ 4,645,470
Restricted For:			
Capital Projects			
Debt Service	304,641		304,641
Grant Projects	62,354		62,354
Unrestricted	<u>1,833,459</u>	<u>964</u>	<u>1,834,423</u>
Total Net Assets	<u>\$ 6,829,204</u>	<u>\$ 17,684</u>	<u>\$ 6,846,888</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,946,660	\$ 838,257	\$ 415,586	\$
Protection to Persons and Property	3,113,933	128,835	1,568,397	
General Health and Sanitation	774,850	1,169,210	146,592	
Social Services	72,600			
Recreation and Culture	551,336		24,939	
Roads	598,183		760,206	
Airports	14,504			
Road Facilities	16,522			
Interest on Long-term Debt	278,654			
Capital Projects	200,268			422,947
Total Governmental Activities	9,567,510	2,136,302	2,915,720	422,947
Business-type Activities:				
Jail Canteen	137,238	140,069		
Total Business-type Activities	137,238	140,069		
Total Primary Government	\$ 9,704,748	\$ 2,276,371	\$ 2,915,720	\$ 422,947
General Revenues:				
Taxes:				
Real Property Taxes				
Personal Property Taxes				
Motor Vehicle Taxes				
Other Taxes				
Excess Fees				
Miscellaneous Revenues				
Interest Received				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning (Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,692,817)	\$	\$ (2,692,817)
(1,416,701)		(1,416,701)
540,952		540,952
(72,600)		(72,600)
(526,397)		(526,397)
162,023		162,023
(14,504)		(14,504)
(16,522)		(16,522)
(278,654)		(278,654)
222,679		222,679
(4,092,541)		(4,092,541)
	2,831	2,831
	2,831	2,831
(4,092,541)	2,831	(4,089,710)
636,892		636,892
107,178		107,178
89,606		89,606
2,449,807		2,449,807
244,908		244,908
450,724		450,724
63,611		63,611
4,042,726		4,042,726
(49,815)	2,831	(46,984)
6,879,019	14,853	6,893,872
\$ 6,829,204	\$ 17,684	\$ 6,846,888

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road Fund	Joint Jail Fund	State Surplus Fund	Emergency Medical Services Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,100,868	\$ 83,122	\$ 85,464	\$ 114,669	\$ 79,977
Total Assets	<u>\$ 1,100,868</u>	<u>\$ 83,122</u>	<u>\$ 85,464</u>	<u>\$ 114,669</u>	<u>\$ 79,977</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 10,984	\$ 4,284	\$ 35,245	\$	\$ 5,543
Debt Service Fund					
Unreserved:					
General Fund	1,089,884				
Special Revenue Funds		78,838	50,219	114,669	74,434
Total Fund Balances	<u>\$ 1,100,868</u>	<u>\$ 83,122</u>	<u>\$ 85,464</u>	<u>\$ 114,669</u>	<u>\$ 79,977</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

Non- Major Funds	Total Governmental Funds
<u>\$ 704,581</u>	<u>\$ 2,168,681</u>
<u>\$ 704,581</u>	<u>\$ 2,168,681</u>

\$ 16,216	\$ 72,272
304,641	304,641
	1,089,884
<u>383,724</u>	<u>701,884</u>
<u>\$ 704,581</u>	<u>\$ 2,168,681</u>

**Reconciliation Of The Balance Sheet - Governmental
Funds To The Statement of Net Assets:**

Total Fund Balances	\$ 2,168,681
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	13,968,726
Accumulated Depreciation	(4,512,111)
Internal service fund is used by management to charge the cost of health insurance to individual funds. The assets and liabilities are included in governmental activities on the statement of Net Assets	31,773
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(112,865)
Bonded Debt	<u>(4,715,000)</u>
Net Assets Of Governmental Activities	<u>\$ 6,829,204</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Joint Jail Fund	State Surplus Fund
REVENUES				
Taxes	\$ 3,177,489	\$	\$	\$
Excess Fees	244,908			
Licenses and Permits	30,917			
Intergovernmental	415,586	760,206	1,560,088	24,939
Charges for Services			128,835	
Miscellaneous	290,202	581	101,037	38,231
Interest	49,423	2,398	572	1,057
Total Revenues	<u>4,208,525</u>	<u>763,185</u>	<u>1,790,532</u>	<u>64,227</u>
EXPENDITURES				
General Government	971,655			
Protection to Persons and Property	187,008		1,678,047	
General Health and Sanitation	741,233			
Social Services	72,600			
Recreation and Culture	252,145			
Roads		557,605		
Airports	14,504			
Road Facilities		16,522		
Debt Service	36,729		6,212	70,137
Capital Projects	38,697	161,571		
Administration	681,880	183,322	506,330	
Total Expenditures	<u>2,996,451</u>	<u>919,020</u>	<u>2,190,589</u>	<u>70,137</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,212,074</u>	<u>(155,835)</u>	<u>(400,057)</u>	<u>(5,910)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	2,167,375	175,000	694,159	38,231
Transfers To Other Funds	(3,927,286)		(229,339)	
Total Other Financing Sources (Uses)	<u>(1,759,911)</u>	<u>175,000</u>	<u>464,820</u>	<u>38,231</u>
Net Change in Fund Balances	(547,837)	19,165	64,763	32,321
Fund Balances - Beginning	1,648,705	63,957	20,701	82,348
Fund Balances - Ending	<u>\$ 1,100,868</u>	<u>\$ 83,122</u>	<u>\$ 85,464</u>	<u>\$ 114,669</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Emergency Medical Services Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 75,077	\$ 3,252,566
		244,908
		30,917
10,689	567,159	3,338,667
1,169,210		1,298,045
222	20,551	450,824
373	9,788	63,611
<u>1,180,494</u>	<u>672,575</u>	<u>8,679,538</u>
		971,655
1,088,092	242,339	3,195,486
	20,000	761,233
		72,600
	298,624	550,769
	52,661	610,266
		14,504
		16,522
63,205	485,943	662,226
		200,268
431,824	831	1,804,187
<u>1,583,121</u>	<u>1,100,398</u>	<u>8,859,716</u>
<u>(402,627)</u>	<u>(427,823)</u>	<u>(180,178)</u>
59,000		59,000
365,000	627,047	4,066,812
	(202,687)	(4,359,312)
<u>424,000</u>	<u>424,360</u>	<u>(233,500)</u>
21,373	(3,463)	(413,678)
58,604	708,044	2,582,359
<u>\$ 79,977</u>	<u>\$ 704,581</u>	<u>\$ 2,168,681</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	(413,678)
--	----	-----------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		441,956
Depreciation Expense		(430,841)

Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.		28,176
---	--	--------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation		(59,000)
----------------------	--	----------

Financing obligation and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets.

Financing Obligations		153,572
Bond Payments		230,000

Change in Net Assets of Governmental Activities	\$	(49,815)
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BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 964	\$ 31,773
Total Current Assets	<u>964</u>	<u>31,773</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	19,893	
Less Accumulated Depreciation	<u>(3,173)</u>	
Total Noncurrent Assets	<u>16,720</u>	
Total Assets	<u>17,684</u>	<u>31,773</u>
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	16,720	
Restricted		31,773
Unrestricted	964	
Total Net Assets	<u>\$ 17,684</u>	<u>\$ 31,773</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Operating Revenues		
Canteen Receipts	\$ 139,757	\$
Refunds/Reimbursements		838,257
Other Receipts	312	
Total Operating Revenues	<u>140,069</u>	<u>838,257</u>
Operating Expenses		
Cost of Sales	105,717	
Administration Fees		1,102,846
Personnel Costs	18,976	
Depreciation	1,784	
Miscellaneous	10,761	
Total Operating Expenses	<u>137,238</u>	<u>1,102,846</u>
Operating Income (Loss)	<u>2,831</u>	<u>(264,589)</u>
Nonoperating Revenues (Expenses)		
Interest		<u>265</u>
Income Before Transfers	2,831	(264,324)
Transfers From Other Funds		292,500
Change In Net Assets	2,831	28,176
Total Net Assets - Beginning	14,853	3,597
Total Net Assets - Ending	<u>\$ 17,684</u>	<u>\$ 31,773</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities- Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Cash Flows From Operating Activities		
Receipts From Customers	\$ 139,757	\$
Other Receipts	312	838,257
Cost of Sales	(105,717)	
Inmate Disbursements		(1,102,846)
Personnel Costs	(18,976)	
Miscellaneous	(10,761)	
Net Cash Provided By Operating Activities	<u>4,615</u>	<u>(264,589)</u>
Cash Flows From Noncapital Financing Activities		
Transfers From Other Funds		292,500
Net Cash Provided By Noncapital Financing Activities		<u>292,500</u>
Cash Flows From Investing Activities		
Purchase of Vehicle	(4,893)	
Interest Earned		265
Net Cash Provided By Investing Activities	<u>(4,893)</u>	<u>265</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(278)	28,176
Cash and Cash Equivalents - July 1, 2004	<u>1,242</u>	<u>3,597</u>
Cash and Cash Equivalents - June 30, 2005	<u><u>\$ 964</u></u>	<u><u>\$ 31,773</u></u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund	Health Insurance Fund
Operating Income (Loss)	\$ 2,831	\$ (264,589)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	<u>1,784</u>	<u></u>
Net Cash Provided By Operating Activities	<u>\$ 4,615</u>	<u>\$ (264,589)</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Cash and Cash Equivalents	\$ 29,827
Total Assets	<u>29,827</u>
Liabilities	
Amounts Held In Custody For Others	29,827
Total Liabilities	<u>\$ 29,827</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provided their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Boyle County Municipal Properties Corporation

Boyle County Municipal Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the county jail building and the related long-term debt service. The corporation's governing body consists entirely of fiscal court members. Therefore, the fiscal court is financially accountable and legally obligated for the debt of the Boyle County Municipal Properties Corporation. Financial information for the Corporation is blended within Boyle County's financial statement.

C. Boyle County Elected Officials Not Part Of Boyle County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boyle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Joint Jail Fund - The primary purpose of this fund is to account for the jail expenses of Boyle and Mercer Counties. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

State Surplus Fund - The purpose of this fund is to account for funds received from grants.

Emergency Medical Services Fund - The primary purpose of this fund is to account for the ambulance receipts and disbursements. The primary sources of revenue are grants and charges for services.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Jail Fund, Emergency 911 Fund, Financing Obligations Fund, TEA-21 Fund, and Boyle County Municipal Properties Corporation.

Special Revenue Funds:

The Road Fund, Joint Jail Fund, State Surplus Fund, Emergency Medical Services Fund, Local Government Economic Assistance Fund, Jail Fund, Emergency 911 Fund, and TEA-21 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Financing Obligations Fund and the Boyle County Municipal Properties Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Health Insurance Fund – This fund accounts for the goods or services provided by one governmental department or agency to another. The Health Insurance Fund of the fiscal court is reported as an internal service fund.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 7,500	10-45
Buildings and Building Improvements	\$ 20,000	10-60
Machinery and Equipment	\$ 1,000	3-20
Vehicles	\$ 1,000	3-12
Infrastructure	\$ 5,000	10-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Boyle County Fiscal Court: Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Boyle County Fiscal Court: Parks and Recreation.

Note 2. Deposits

A. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 32,500	\$	\$	\$ 32,500
Construction In Progress	28,629		(28,629)	
Total Capital Assets Not Being Depreciated	61,129		(28,629)	32,500
Capital Assets, Being Depreciated:				
Buildings	7,137,310	34,343		7,171,653
Other Equipment	1,183,154	182,027		1,365,181
Vehicles and Equipment	2,329,346	114,297		2,443,643
Infrastructure	2,815,833	139,916		2,955,749
Total Capital Assets Being Depreciated	13,465,643	470,583		13,936,226
Less Accumulated Depreciation For:				
Buildings	(1,659,192)	(104,898)		(1,764,090)
Other Equipment	(932,987)	(135,344)		(1,068,331)
Vehicles and Equipment	(530,112)	(117,264)		(647,376)
Infrastructure	(958,979)	(73,335)		(1,032,314)
Total Accumulated Depreciation	(4,081,270)	(430,841)		(4,512,111)
Total Capital Assets, Being Depreciated, Net	9,384,373	39,742		9,424,115
Governmental Activities Capital Assets, Net	<u>\$ 9,445,502</u>	<u>\$ 39,742</u>	<u>\$ (28,629)</u>	<u>\$ 9,456,615</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 15,000	\$ 4,893	\$	\$ 19,893
Total Capital Assets Being Depreciated	15,000	4,893		19,893
Less Accumulated Depreciation For:				
Vehicles and Equipment	(1,389)	(1,784)		(3,173)
Total Accumulated Depreciation	(1,389)	(1,784)		(3,173)
Total Capital Assets, Being Depreciated, Net	13,611	3,109		16,720
Business-Type Activities Capital Assets, Net	<u>\$ 13,611</u>	<u>\$ 3,109</u>	<u>\$</u>	<u>\$ 16,720</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 39,710
Protection to Persons and Property	247,233
General Health and Sanitation	13,617
Recreation and Culture	567
Roads, Including Depreciation of General Infrastructure Assets	<u>127,833</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 428,960</u>

Business-Type Activities

Jail Canteen	<u>\$ 1,784</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,784</u>

Note 4. Short-term Debt

In July 2004, Boyle County Fiscal Court participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$1,619,100, with principal being due in January 2005. While the county did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$4,972.

Note 5. Long-term Debt

A. Lease Revenue Bonds, Series 1997

Boyle county Municipal Properties Corporation (Corporation) issued obligations, dated February 15, 1997 and payable in 20 annual installments beginning February 1, 2000, with semi-annual interest payments on the first of February and March at varying rates from 4.75 % to 5.30%. The fiscal court issued the bonds for the purpose of constructing a Detention Center.

Call Provisions:

1997 series bonds maturing on and after February 1, 2008 are subject to redemption at the option of the Corporation (and upon its written discretion to the Trustee) prior to maturity on February 1, 2007 and on any date thereafter in whole, or from time to time in part, in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by lot by the Trustee) at the following prices (expressed as percentages of principal amount) plus interest accruing to the redemption date:

February 1, 2007 and prior to February 1, 2008	102%
February 1, 2008 and prior to February 1, 2009	101%
February 1, 2009 and thereafter	100%

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

A. Lease Revenue Bonds, Series 1997(Continued)

As of June 30, 2005 the outstanding balance was \$4,715,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	240,000	244,730
2007	250,000	233,030
2008	265,000	220,843
2009	275,000	207,858
2010	290,000	194,108
2011-2016	1,690,000	729,033
2017-2019	1,705,000	231,608
Totals	<u>\$ 4,715,000</u>	<u>\$ 2,061,210</u>

B. Ambulance and Remount #1

On August 15, 2002, the Boyle County Fiscal Court entered into a loan agreement with National City Bank for the purchase of an ambulance and remount. The principal was \$108,000 at an effective interest rate of 2.77 percent for a period of three years, with principal and interest paid monthly. The principal outstanding as of June 30, 2005 was \$9,133. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	<u>\$ 9,133</u>	<u>\$ 43</u>
Totals	<u>\$ 9,133</u>	<u>\$ 43</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

C. Softball Field Lighting

On December 19, 2002, the Boyle County Fiscal Court entered into a loan agreement with National City Bank for the purchase of softball field lighting. The principal was \$219,000 at an effective interest rate of 2.64 percent for a period of three years, with principal and interest paid monthly. The principal outstanding as of June 30, 2005, was \$43,700. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 43,700	\$ 395
Totals	<u>\$ 43,700</u>	<u>\$ 395</u>

D. Jail Inmate System Hardware and Software

On February 11, 2004, the Boyle County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for jail inmate system hardware and software. The principal was \$9,100 at an effective interest rate of 2.245 percent for a period of eighteen months, with principal and interest paid monthly. The principal outstanding as of June 30, 2005 was \$1,032. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 1,032	\$ 5
Totals	<u>\$ 1,032</u>	<u>\$ 5</u>

E. Ambulance and Remount #2

On December 17, 2004, the Boyle County Fiscal Court entered into a loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance and remount. The principal was \$59,000 at an effective interest rate of 2.63 percent for a period of two years, with principal paid annually and interest paid monthly. The principal outstanding as of June 30, 2005 was \$59,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 30,000	\$ 1,597
2007	<u>29,000</u>	<u>588</u>
Totals	<u>\$ 59,000</u>	<u>\$ 2,185</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,945,000	\$	\$ 230,000	\$ 4,715,000	\$ 240,000
Financing Obligations	207,437	59,000	153,572	112,865	83,865
Governmental Activities					
Long-term Liabilities	<u>\$ 5,152,437</u>	<u>\$ 59,000</u>	<u>\$ 383,572</u>	<u>\$ 4,827,865</u>	<u>\$ 323,865</u>

Note 6. Interest On Long-term Debt and Financing Obligations

Interest on Long-term debt on the Statement of Activities includes \$5,027 in interest on financing obligations and \$255,942 in interest on bonds.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

Boyle County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

Note 8. Deferred Compensation (Continued)

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2005, Boyle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Health Insurance Fund

The Boyle County Health Insurance Fund provides health insurance coverage to county employees. The County transfers from each fund (General, Road, Joint Jail, and emergency Medical Services), the amount for a single policy for each employee who is eligible and elects to receive insurance coverage from the county. Any employee who selected a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from their paychecks. Premiums are determined by the county based upon the recommendations submitted to them by the reinsurer.

Note 11. Fund Balance - Deficit

As of June 30, 2005, the Jail Fund had a deficit in its' unreserved special revenue fund balance in the amount of \$13,276. This deficit was due to the existence of encumbrances in the amount of \$14,704. The deficit was eliminated with the deposit of funds after June 30, 2005.

Note 12. Prior Period Adjustments

Beginning net assets of governmental activities has been restated. The effect of this change is a decrease of \$616,182 to capital assets previously reported.

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BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,780,000	\$ 2,780,000	\$ 3,177,489	\$ 397,489
Excess Fees	222,750	222,750	244,908	22,158
Licenses and Permits	30,000	30,000	30,917	917
Intergovernmental Revenue	320,199	320,199	415,586	95,387
Miscellaneous	370,850	370,850	290,202	(80,648)
Interest	49,006	49,006	49,423	417
Total Revenues	<u>3,772,805</u>	<u>3,772,805</u>	<u>4,208,525</u>	<u>435,720</u>
EXPENDITURES				
General Government	1,169,227	1,095,320	971,655	123,665
Protection to Persons and Property	238,432	237,888	187,008	50,880
General Health and Sanitation	834,425	862,125	741,233	120,892
Social Services	74,100	74,100	72,600	1,500
Recreation and Culture	299,375	295,604	252,145	43,459
Airports	14,510	14,510	14,504	6
Debt Service	1,709,902	1,717,351	1,655,829	61,522
Capital Projects	39,402	38,697	38,697	
Administration	1,174,442	711,740	681,880	29,860
Total Expenditures	<u>5,553,815</u>	<u>5,047,335</u>	<u>4,615,551</u>	<u>431,784</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,781,010)</u>	<u>(1,274,530)</u>	<u>(407,026)</u>	<u>867,504</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	1,619,100	1,619,100	1,619,100	
Transfers From Other Funds	1,975,000	1,975,000	2,167,375	192,375
Transfers To Other Funds	<u>(3,579,231)</u>	<u>(3,579,231)</u>	<u>(3,927,286)</u>	<u>(348,055)</u>
Total Other Financing Sources (Uses)	<u>14,869</u>	<u>14,869</u>	<u>(140,811)</u>	<u>(155,680)</u>
Net Changes in Fund Balance	(1,766,141)	(1,259,661)	(547,837)	711,824
Fund Balance - Beginning	<u>1,766,141</u>	<u>1,766,141</u>	<u>1,648,705</u>	<u>(117,436)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ 506,480</u>	<u>\$ 1,100,868</u>	<u>\$ 594,388</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 627,242	\$ 627,242	\$ 760,206	\$ 132,964
Miscellaneous			581	581
Interest	1,300	1,300	2,398	1,098
Total Revenues	628,542	628,542	763,185	134,643
EXPENDITURES				
Roads	655,880	654,770	557,605	97,165
Road Facilities	20,050	20,050	16,522	3,528
Capital Projects	44,200	164,071	161,571	2,500
Administration	217,342	208,449	183,322	25,127
Total Expenditures	937,472	1,047,340	919,020	128,320
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(308,930)	(418,798)	(155,835)	262,963
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	259,631	259,631	175,000	(84,631)
Total Other Financing Sources (Uses)	259,631	259,631	175,000	(84,631)
Net Changes in Fund Balance	(49,299)	(159,167)	19,165	178,332
Fund Balance - Beginning	49,299	49,299	63,957	14,658
Fund Balance - Ending	\$	\$ (109,868)	\$ 83,122	\$ 192,990

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

JOINT JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,244,004	\$ 1,244,004	\$ 1,560,088	\$ 316,084
Charges for Services	73,750	73,750	128,835	55,085
Miscellaneous	66,850	66,850	101,037	34,187
Interest	500	500	572	72
Total Revenues	1,385,104	1,385,104	1,790,532	405,428
EXPENDITURES				
Protection to Persons and Property	1,502,046	1,713,081	1,678,047	35,034
Debt Service	202,690	202,690	6,212	196,478
Capital Projects	4,500			
Administration	495,289	519,892	506,330	13,562
Total Expenditures	2,204,525	2,435,663	2,190,589	245,074
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(819,421)	(1,050,559)	(400,057)	650,502
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	668,091	668,091	694,159	26,068
Transfers To Other Funds			(229,339)	(229,339)
Total Other Financing Sources (Uses)	668,091	668,091	464,820	(203,271)
Net Changes in Fund Balance	(151,330)	(382,468)	64,763	447,231
Fund Balance - Beginning	151,330	151,330	20,701	(130,629)
Fund Balance - Ending	\$	\$ (231,138)	\$ 85,464	\$ 316,602

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	STATE SURPLUS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 100,939	\$ 100,939	\$ 24,939	\$ (76,000)
Miscellaneous			38,231	38,231
Interest	150	150	1,057	907
Total Revenues	101,089	101,089	64,227	(36,862)
EXPENDITURES				
Social Services	100,150	100,150		100,150
Recreation and Culture	166,140	166,140		166,140
Debt Service			70,137	(70,137)
Administration	24,180	24,180		24,180
Total Expenditures	290,470	290,470	70,137	220,333
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(189,381)	(189,381)	(5,910)	183,471
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	100,000	100,000	38,231	(61,769)
Total Other Financing Sources (Uses)	100,000	100,000	38,231	(61,769)
Net Changes in Fund Balances	(89,381)	(89,381)	32,321	121,702
Fund Balances - Beginning	89,381	89,381	82,348	(7,033)
Fund Balances - Ending	\$	\$	\$ 114,669	\$ 114,669

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

EMERGENCY MEDICAL SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 11,000	\$ 11,000	\$ 10,689	\$ (311)
Charges for Services	875,000	875,000	1,169,210	294,210
Miscellaneous	1,100	1,100	222	(878)
Interest	350	350	373	23
Total Revenues	887,450	887,450	1,180,494	293,044
EXPENDITURES				
Protection to Persons and Property	1,056,165	1,068,684	1,029,092	39,592
Debt Service	81,250	78,984	63,205	15,779
Administration	453,006	450,851	431,824	19,027
Total Expenditures	1,590,421	1,598,519	1,524,121	74,398
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(702,971)	(711,069)	(343,627)	367,442
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	663,301	663,301	365,000	(298,301)
Total Other Financing Sources (Uses)	663,301	663,301	365,000	(298,301)
Net Changes in Fund Balances	(39,670)	(47,768)	21,373	69,141
Fund Balances - Beginning	39,670	39,670	58,604	18,934
Fund Balances - Ending	\$	\$ (8,098)	\$ 79,977	\$ 88,075

BOYLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

2. Reconciliations

General Fund

Total Expenditures - Budgetary Basis	\$ 4,615,551
Less: KARP Principal Payment	<u>(1,619,100)</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 2,996,451</u></u>
Total Other Financing Sources (Uses)	
Budgetary Basis	\$ (140,811)
Less: KARP Proceeds	<u>(1,619,100)</u>
Modified Cash Basis	<u><u>\$ (1,759,911)</u></u>

Emergency Medical Services Fund

Total Expenditures - Budgetary Basis	\$ 1,524,121
Plus: Capital Outlay - Ambulance	<u>59,000</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 1,583,121</u></u>
Total Other Financing Sources (Uses)	
Budgetary Basis	\$ 365,000
Plus: Financing Obligation Proceeds	<u>59,000</u>
Modified Cash Basis	<u><u>\$ 424,000</u></u>

**BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Local Government Economic Assistance Fund	Jail Fund	Emergency 911 Fund	Financing Obligations Fund
ASSETS				
Cash and Cash Equivalents	\$ 83,065	\$ 1,429	\$ 253,082	\$ 304,640
Total Assets	<u>\$ 83,065</u>	<u>\$ 1,429</u>	<u>\$ 253,082</u>	<u>\$ 304,640</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 83,065	\$ (13,275)	\$ 251,570	\$
Reserved for:				
Encumbrances		14,704	1,512	
Debt Service Fund				304,640
Total Fund Balances	<u>\$ 83,065</u>	<u>\$ 1,429</u>	<u>\$ 253,082</u>	<u>\$ 304,640</u>

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2005
(Continued)

TEA-21 Fund	Boyle County Municipal Properties Corporation	Total Non-Major Governmental Funds
<u>\$ 62,364</u>	<u>\$ 1</u>	<u>\$ 704,581</u>
<u>\$ 62,364</u>	<u>\$ 1</u>	<u>\$ 704,581</u>
\$ 62,364	\$	\$ 383,724
		16,216
	1	304,641
<u>\$ 62,364</u>	<u>\$ 1</u>	<u>\$ 704,581</u>

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BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Local Government Economic Assistance Fund	Jail Fund	Emergency 911 Fund	Financing Obligations Fund
REVENUES				
Taxes	\$	\$	\$ 75,077	\$
Intergovernmental	69,646	8,309	66,257	214,659
Miscellaneous		20,476	75	
Interest	324	84	4,109	5,271
Total Revenues	<u>69,970</u>	<u>28,869</u>	<u>145,518</u>	<u>219,930</u>
EXPENDITURES				
Protection to Persons and Property	4,399	118,521	119,419	
General Health and Sanitation	20,000			
Recreation and Culture				
Roads	52,661			
Debt Service				
Administration		831		
Total Expenditures	<u>77,060</u>	<u>119,352</u>	<u>119,419</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(7,090)</u>	<u>(90,483)</u>	<u>26,099</u>	<u>219,930</u>
Other Financing Sources (Uses)				
Transfers From Other Funds		75,000		
Transfers To Other Funds				(202,687)
Total Other Financing Sources (Uses)		<u>75,000</u>		<u>(202,687)</u>
Net Change in Fund Balances	(7,090)	(15,483)	26,099	17,243
Fund Balances - Beginning	90,155	16,912	226,983	287,397
Fund Balances - Ending	<u>\$ 83,065</u>	<u>\$ 1,429</u>	<u>\$ 253,082</u>	<u>\$ 304,640</u>

BOYLE COUNTY**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****Other Supplementary Information****For The Year Ended June 30, 2005****(Continued)**

TEA-21 Fund	Boyle County Municipal Properties Corporation	Total Non-Major Governmental Funds
\$	\$	\$
208,288		75,077
		567,159
		20,551
		9,788
<u>208,288</u>		<u>672,575</u>
		242,339
		20,000
298,624		298,624
		52,661
	485,943	485,943
		831
<u>298,624</u>	<u>485,943</u>	<u>1,100,398</u>
<u>(90,336)</u>	<u>(485,943)</u>	<u>(427,823)</u>
66,104	485,943	627,047
		(202,687)
<u>66,104</u>	<u>485,943</u>	<u>424,360</u>
(24,232)		(3,463)
86,596	1	708,044
<u>\$ 62,364</u>	<u>\$ 1</u>	<u>\$ 704,581</u>

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**BOYLE COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2005

**BOYLE COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2005

NONCOMPLIANCE

The County Should Eliminate The Deficit In The Unreserved Special Revenue Fund Balance Of The Jail Fund

As of June 30, 2005, the Boyle County Fiscal Court had a deficit in its' unreserved special revenue fund balance of \$13,276 for the Jail Fund. This amount was due to the existence of encumbrances in the amount of \$14,704. The deficit was eliminated with the deposit of funds after June 30, 2005.

We recommend the Boyle County Fiscal Court maintain cash balances in the Jail Fund to offset all encumbrances.

Response: Encumbrances associated with medical services are never easily predicted. Therefore, cash balances on some occasions are not adequate.

A. PRIOR YEAR FINDINGS

The County Should Eliminate The Deficit In The Unreserved Special Revenue Fund Balance Of The Joint Jail Fund. This finding has been corrected for the Joint Jail Fund.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Tony W. Wilder, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 30, 2006. We did not audit the financial statements of the Boyle County Municipal Properties Corporation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Boyle County Municipal Properties Corporation, is based on the report of the other auditors. Boyle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyle County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Boyle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendations.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

- The County Should Eliminate The Deficit In The Unreserved Special Revenue Fund Balance Of The Jail Fund

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The script is cursive and fluid, with the letters "P", "G", and "P" being particularly large and stylized.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
January 30, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOYLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM


BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

